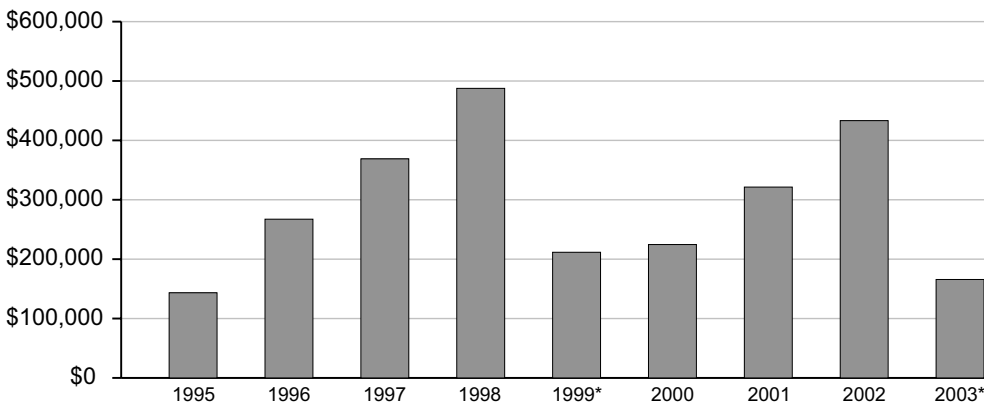




The grain train makes a stop in Prescott.

As shown in the chart below, the revolving fund account is drawn upon roughly every four years for a new Washington Grain Train.

Washington Grain Train Revolving Fund History



* The second Washington Grain Train was purchased in 1999 and went into operation in April 2000. The third grain train was purchased in January 2003 and went into operation in April.

How does the Grain Train Revolving Fund work?

The grain train's day-to-day business operations support a unique revolving fund that pays for fleet expansion. Here's how the system works:

- * The grain shippers pay the railroads a haulage fee for grain movement to the deepwater ports. The short-line railroads and the Class I railroads—the UP and the BNSF—share these haulage fees.
- * The UP and the BNSF then pay the short-line railroads a "rental" fee for the use of the publicly-owned grain hopper cars. These rental fees are deposited directly into accounts managed by each of the three port districts: a portion of these funds is used for grain car maintenance, a portion is set aside

for eventual car replacement (based on a 20-year depreciation schedule), and the rest is set aside and is used as a "revolving" fund that is periodically tapped for fleet expansion.

- * Once the revolving fund has grown large enough to purchase used rail cars (a standard 26-car set and three extras), WSDOT instructs the port districts to send funds to a rail car sales firm selected by WSDOT. This firm then delivers the cars to Washington for painting and, finally, service on a specific rail corridor where there is a shortage of grain hopper cars.



What is the Washington Grain Train?

The Washington Grain Train is a transportation program that produces a number of important public benefits—at no cost to Washington taxpayers. Serving over 2,500 cooperative members and farmers in one of the most productive grain-growing regions in the world, the Washington Grain Train helps carry thousands of tons of grain to deepwater ports along the Columbia River and Puget Sound, where the grain is loaded onto ships bound for Pacific Rim markets.



October 2003

Washington Grain Train

A financially self-sustaining transportation program that supports Washington's farmers, short-line railroads, and rural economic development.



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Why did WSDOT start the Washington Grain Train program?

In the early 1990s, a national shortage of rail hopper cars made it difficult and expensive for Washington State farmers to get grain to market. The transcontinental railroads were earning more money hauling grain from the Midwest to ports in the Pacific Northwest than they could through shorter distance trips within Washington, which reduced the supply of empty grain cars for eastern Washington grain shippers. To help alleviate this shortage of grain cars, the Washington State Energy Office and WSDOT used federal funds from a successful lawsuit against oil companies—who were found to have over-charged the nation’s farmers for fuel during the 1970s—to purchase 29 used grain cars for dedicated service within Washington. These rail cars, built between 1966 and 1981, were then repaired and repainted. The total cost for the original 29-car fleet was \$763,000.

Public benefits of the Washington Grain Train

The Washington Grain Train produces a number of important public benefits. The Grain Train:

- Helps move Washington products reliably and efficiently to domestic and international markets
- Helps preserve Washington’s short-line railroads by generating revenues that can be used to upgrade rail lines and support the railroad’s long-term infrastructure needs
- Helps support a healthy rail network that can maintain and attract new businesses—especially in rural areas of Washington
- Saves fuel
- Supports better air quality
- Helps reduce wear and tear on local roadways
- Was started with federal “seed” money and operates without any taxpayer subsidy

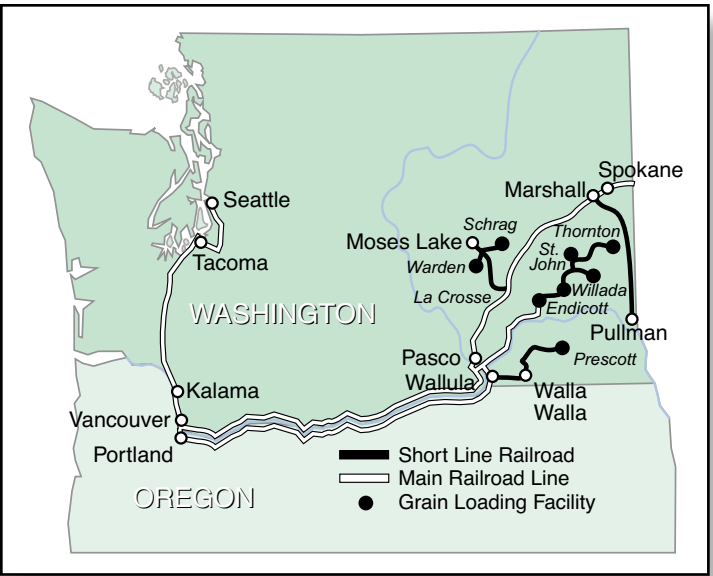
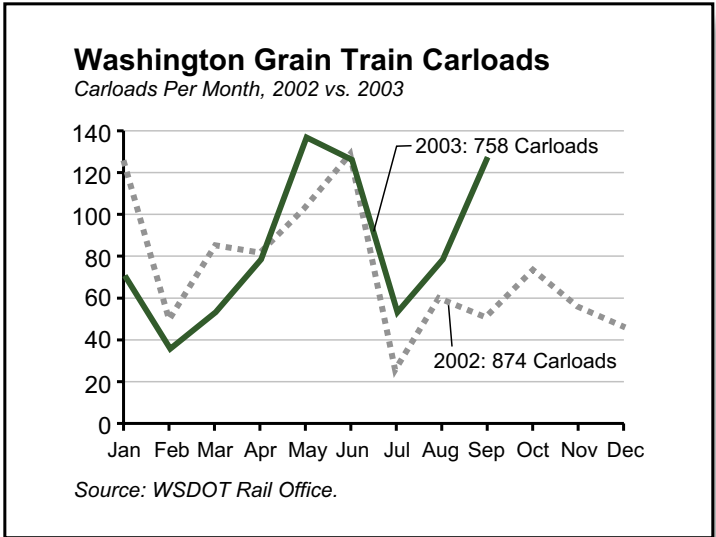


A typical Washington Grain Train car carries the equivalent of almost three full-size grain trucks and is capable of holding 100 tons of wheat or barley.

How well is the grain train program performing today?

The Washington Grain Train carried 259 cars of grain to deepwater ports in the third quarter of 2003. This is a 92 percent increase in carloads over the same period in 2002. The addition of a third grain train in April 2003, and a high level of use by cooperative members/farmers between Marshall and Pullman, drove this near doubling of the quarterly total.

Through September of this year, the Washington Grain Train has carried a total of 758 carloads. This equates to 2,166 truckloads of grain. The total number of grain train carloads for 2002 was 874. With the addition of the third grain train, WSDOT anticipates that the total Washington Grain Train car loadings for 2003 will approach 1,000.



Which communities are served by the Washington Grain Train?

The Washington Grain Train collects wheat and barley from grain elevators in Warden, Schrag, La Crosse, Prescott, Endicott, Willada, St. John, Thornton, Plaza, Rosalia, Oakesdale, Palouse, and Fallon, Washington.

Once the grain hopper cars have been emptied at the major grain export facilities in Portland, Vancouver (WA), Kalama, Tacoma, and Seattle, the cars are hauled back to eastern Washington by the Union Pacific Railroad and Burlington Northern and Santa Fe Railway, and the cycle begins again.

Who manages the Washington Grain Train?

WSDOT, the Port of Walla Walla, the Port of Moses Lake, and the Port of Whitman County all manage the Washington Grain Train. WSDOT oversees the entire program, and the port districts collect monthly payments from the Union Pacific Railroad (UP) and

“The grain trains are especially valuable during peak demand (fall, harvest, and spring) when there are car shortages. All the shippers think it’s been a real success, and if you look at the numbers, they bear that out.”

— Tim Silers
Wheat Growers of Endicott

Burlington Northern and Santa Fe Railway (BNSF) for the use of the cars (see below). The ports can use up to one percent of the payments they receive from the UP and BNSF for fleet management services.

Purchase Year	Number of Cars Purchased	Owner	Equipment Manager	Short-Line Railroad Operator
1994	29	WSDOT: 29	Port of Walla Walla	Blue Mountain Railroad
2000	36	WSDOT: 47 Port of Walla Walla: 18	Port of Walla Walla (36 cars) Port of Moses Lake (29 cars)	Blue Mountain Railroad Columbia Basin Railroad
2003	29	WSDOT: 76 Port of Walla Walla: 18	Port of Walla Walla (36 cars) Port of Moses Lake (29 cars) Port of Whitman County (29 cars)	Blue Mountain Railroad Columbia Basin Railroad Palouse River and Coulee City Railroad
	Total Cars: 94			